

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

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### Federal Expenditures in Michigan

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Each fiscal year, the Federal government allocates a significant portion of the overall Federal budget to expenditures that have a direct impact on the states. The United States Bureau of the Census annually reports on these Federal expenditures to the states in its report entitled, "*Consolidated Federal Funds Report*". The most recent Consolidated Federal Funds Report is for fiscal year (FY) 2003.

The Census Bureau report covers four broad categories of Federal expenditures received by states. These categories are: direct payments to individuals, Federal salaries and wages, procurement, and grants to state and local governments. Direct payments to individuals include such large Federal programs as Social Security, Federal retirement and disability payments, student loans, workers' compensation payments, and food stamps. Federal salaries and wages measure the amount spent on the base salary and overtime of Federal employees in each state. Procurement is the amount spent in each state for direct purchases by the Federal government of either goods or services. Grants to state and local governments are direct Federal aid programs and include such large programs as Federal transportation aid, job training aid, education spending, and the Medicaid program.

Historically, Michigan's share of Federal expenditures has lagged behind the amount of most other states. As measured on a per-capita basis, in FY 2003 total Federal expenditures in Michigan equaled \$5,741. The national average of all states on a per capita basis was \$6,941. Table 1 provides a summary of Federal expenditures in Michigan during FY 2003. Michigan's total per-capita expenditures ranked 44<sup>th</sup> among the states. The only broad category of Federal expenditures in which Michigan was close to the national average was the area of direct payments to individuals, where Michigan's share ranked 28<sup>th</sup> among the states. Michigan's rank in Federal salaries and wages was 49<sup>th</sup> among the states, Michigan's rank in procurement was 43<sup>rd</sup> among the states, and Michigan's rank in grants to state and local governments was 41<sup>st</sup> among the states.

**Table 1**  
**Distribution of Federal Funds**  
**Fiscal Year 2003**  
**(Millions of Dollars)**

	National Amount	Michigan Amount	Michigan as Percent of National Total	National Per Capita	Michigan Per Capita	Michigan Rank
Direct Payments for Individuals	\$1,082,358	\$37,598	3.5%	\$3,691	\$3,730	28
Federal Salaries and Wages	210,677	3,418	1.6%	713	339	49
Procurement	327,413	3,884	1.2%	1,011	385	43
Grants to State and Local Governments	441,038	12,970	2.9%	1,496	1,287	41
Total	\$2,061,486	\$57,870	2.8%	\$6,911	\$5,741	44
Resident Population	290,809,777	10,079,985	3.5%			

**Source:** United States Bureau of the Census, Federal Expenditures by State for Fiscal Year.



An analysis of the Census Bureau data leads to the conclusion that the citizens of Michigan are receiving much less than their fair share of Federal expenditures if the expenditures were simply distributed on a per-capita basis. Table 2 provides a summary of the actual amount of Federal expenditures received in Michigan for the period FY 1985 through FY 2003 versus the amount that Michigan would have received if Federal expenditures had equaled Michigan's of the total United States population. In FY 2003, this Federal funding shortfall equaled \$13.6 billion.

**Table 2**  
**Michigan's Federal Funding Shortfall**  
**(Millions of Dollars)**

Fiscal Year	Actual Federal Expenditures in Michigan	Federal Expenditures in Michigan on a Per-Capita Basis	Michigan's Expenditures Shortfall
1985	\$22,384	\$29,844	\$(7,460.8)
1986	23,342	31,398	(8,055.5)
1987	23,283	31,814	(8,530.4)
1988	23,887	33,207	(9,320.3)
1989	26,109	34,735	(8,625.3)
1990	29,433	37,438	(8,005.6)
1991	31,968	41,292	(9,323.4)
1992	36,137	44,998	(8,860.3)
1993	37,238	46,845	(9,607.2)
1994	39,485	49,021	(9,536.4)
1995	39,569	49,055	(9,486.5)
1996	39,633	50,062	(10,429.2)
1997	40,651	51,441	(10,789.7)
1998	41,917	53,905	(11,988.6)
1999	44,128	55,355	(11,227.5)
2000	46,851	58,242	(11,390.9)
2001	51,722	62,986	(11,264.3)
2002	55,910	67,566	(11,656.2)
2003	57,870	71,455	(13,584.8)

**Source:** United States Bureau of the Census, Senate Fiscal Agency calculations.

This Federal funding shortfall in Michigan can be attributed to several factors. First is the fact that Michigan has a smaller proportion of Federal direct employees compared with other states. The second is the lack of major defense facilities or defense contractors within Michigan. The third major factor influencing the distribution of Federal funds is that numerous Federal funds have formulas that take into account income levels. This type of formula does not generally benefit Michigan compared with many other states. These factors and others account for the long-term distribution of Federal funds and affect the amount of Federal funds received in Michigan.